

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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R 130930Z FEB 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 9144

INFO USLO PEKING

C O N F I D E N T I A L HONG KONG 1688

PASS DIA

E.O. 11652: GDS

TAGS: ECON, CH

SUBJECT: PRC-CONTROLLED ORGANIZATIONS' REPRESENTATIVES COMMENT  
ABOUT ECONOMIC ASPECTS OF HUA KUO-FENG APPOINTMENT

1. SUMMARY: SENIOR REPRESENTATIVES OF A PRC-CONTROLLED BANK  
AND NEWSPAPER CLAIM THAT HUA KUO-FENG APPOINTMENT AS ACTING  
PREMIER AND INTENSIFIED ATTACKS ON REVISIONIST DO NOT  
SIGNIFY CHANGE IN ECONOMIC RELATIONS WITH FOREIGN COUNTRIES,  
NOR IN BASIS ECONOMIC GOALS. THEY FORSEE CONTINUED  
EMPHASIS ON AGRICULTURAL DEVELOPMENT, AND INTENSIFIED INTEREST  
IN EXPORT, IMPORT AND FOREIGN CREDITS UP TO FIVE YEARS. END  
SUMMARY.

2. PRC MANAGER OF BANK CONTROLLED BY BANK OF CHINA, AND VETERAN  
ECONOMIC EDITOR-REPORTER OF TA KUNG PAO HAVE GIVEN  
US THEIR VIEWS ON ECONOMIC ASPECTS OF RECENT MAJOR POLITICAL  
DEVELOPMENTS IN PRC.

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3. BOTH INSIST THAT FIVE-YEAR PLAN OBJECTIVES WILL REMAIN

ESSENTIALLY UNCHANGED. TOP PRIORITY WILL GO TO DEVELOPMENT OF AGRICULTURE, WITH GAIN PRODUCTION OF 400 MILLION TONS A YEAR AND SUBSTANTIAL PROGRESS TOWARD FARM MECHANIZATION KEY GOALS FOR 1980. BANKER STATED THAT "TRANSFER OF TEN MILLION WORKERS FROM AGRICULTURE TO INDUSTRY" AS RESULT OF FARM MECHANIZATION WILL BE IMPORTANT ASPECT OF OVERALL ECONOMIC DEVELOPMENT OF THE COUNTRY.

4. BOTH PROFESSED TO BELIEVE THAT IMPORTANT REASON FOR SELECTION OF HUA KUO-FENG AS ACTING PREMIER IS SUITABILITY TO HEAD GOVERNMENT DURING PERIOD (A) WHEN SPECIAL ATTENTION WILL BE DEVOTED TO AGRICULTURAL DEVELOPMENT, AND (B) WHEN "VIGOROUS YOUNG LEADERSHIP" WILL BE PARTICULARLY NECESSARY.

5. BOTH SOURCES SEE NOT CHANGE OF COURSE IN ECONOMIC RELATIONS WITH OTHER COUNTRIES, AND--AS INITIAL SUPPORTING EVIDENCE--TA KUNG PAO EDITOR POINTED TO NORMAL CONTINUING NEGOTIATIONS IN ALBANIA AND YUGOSLAVIA BY FOREIGN TRADE MINISTER LI CHIANG; DEPARTURE FOR UK OF SENIOR LEVEL DELEGATION FROM LIGHT INDUSTRIAL PRODUCTS CORPORATION, AND IMMINENT DEPARTURE FOR US OF ANOTHER GROUP FROM SAME ENTERPRISE.

6. BANKER CLAIMED THAT--WITHIN CONTINUING BASIC ALLEGIANCE TO PRINCIPLE OF "SELF RELIANCE"--PROSPECTS WILL BE VERY BRIGHT FOR EXPANSION OF IMPORTS. HE EXPECTS FURTHER INTENSIFICATION OF INTEREST IN FOREIGN CREDITS OF UP TO FIVE YEARS TO FINANCE IMPORT OF CAPITAL EQUIPMENT AND TECHNOLOGY. HE SEES VERY LITTLE PROSPECTS, ON OTHER HAND, FOR ANY FORM OF JOINT VENTURES FOR DEVELOPMENT OF PRC ENERGY OR INDUSTRY.

7. TA KUNG PAO EDITOR COMMENTED THAT ECONOMIC RELATIONS WITH US WILL NOT EXPAND MEANINGFULLY UNTIL TAIWAN PROBLEMS IS RESOLVED.

8. BOTH SOURCES SAW INTENSIFIED PRC EXPORT DRIVE, WITH CONSIDERABLE EMPHASIS ON OIL. BANKER CLAIMED OIL EXPORTS ALREADY REACHED 15 MILLION TONS IN 1975. EDITOR NOTED CONFIDENTIAL

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MOST SEA-BORNE OIL SHIPMENTS TO HONG KONG NOW COME FROM HSINKANG HARBOR (I.E. APPARENTLY TAKANG FIELD) WITH LESSER QUANTITY FROM MAOMING, BUT PREDICTED "VERY RICH POTENTIAL" OF NEW NAN-HAI FIELD NEAR CANTON WOULD EVENTUALLY ALSO BE EXPLOITED FOR EXPORT TO HONG KONG.

9. COMMENT: WE HAVE SERIOUS RESERVATIONS ABOUT SOURCES' HIGH RANKING OF ECONOMIC FACTORS AS REASONS FOR HUA KUO-FENG

APPOINTMENT. THEIR STRONGLY HELD VIEWS AS TO ESSENTIAL  
CONTNUINTY OF ECONOMIC POLICY, INCLUDING ECONOMIC POLICY  
TOWARD FOREIGN COUNTRIES IS A LINE ONE WOULD EXPECT,  
PARTICULARLY DURING THIS TIME OF LADERSHIP UNCERTAINTY.  
STATISTICS CITED BY BANKER ARE NEW TO US. WE ASSUME THAT  
"TRANSFER OF 10 MILLION  
WORKERS" DURING CURRENT FIVE FIVE YEAR PLAN PERIOD WOULD,  
IN LARGE PART, INVOLVE TRANSFER FROM AGRICULTURE TO  
RURAL INDUSTRY. 15 MILLION TON OIL EXPORT FIGURE FOR  
1975 IS LARGER THAN OUR 12 MILLION TON ESTIMATE.  
CROSS

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